

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2588-02
Bill No.: HB 1327
Subject: Transportation; Department of Revenue; Licenses - Motor Vehicle
Type: Original
Date: April 27, 2015

Bill Summary: This proposal establishes a “miles driven” fee to be paid at the time of registration of a motor vehicle.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$174,698)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$174,698)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Highway Fund	\$0	\$195,936,195	\$226,113,518
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$195,936,195	\$226,113,518

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$65,312,065	\$75,371,173

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Section 301.045

Officials from the **Department of Revenue (DOR)** assume beginning January 1, 2016, in addition to all other registration fees, the Department may charge and collect a "miles driven" fee from each owner registering or renewing the registration of a motor vehicle in the amounts of up to:

- Two hundred dollars for a one-year registration; and
- Four hundred dollars for a two-year registration.

At the time of registration;

- An odometer reading shall be recorded which will be recorded from the bill of sale or certificate of title on the purchase of a new motor vehicle;
- For a renewal registration the odometer reading from the most recent motor vehicle safety inspection; or
- Other method approved odometer reading by the Department to verify the vehicle mileage.

Upon registration renewal, the owner registering the motor vehicle shall be entitled to a prorated credit against the miles driven fee for that registration period.

- The Department shall set such credit.
- If the miles driven during the immediately preceding one-year registration period are greater than twenty thousand miles or for the immediately preceding two-year registration period is greater than forty thousand miles; no credit or additional charge shall be allowed.

ASSUMPTION (continued)

The odometer reading used to determine credit eligibility shall be the official odometer reading recorded at the time of the motor vehicle's most recent safety inspection.

Revenue from the "miles driven" fee collected shall be deposited into the state road fund to be used and expended as provided by article IV, section 30(b) of the Constitution of Missouri (Highway Fund, Cities, and Counties).

The director of the Department of Revenue may promulgate all necessary rules for the administration of this section under the provisions of chapter 536, RSMo.

Administrative Impact

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Application for Missouri Title and License (DOR-108) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Motor Vehicle License (DOR-184) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The motor vehicle renewal notice will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.
- Modify correspondence letters to include the "miles driven fees". This will require 80 hours for a Management Analyst Specialist I, at a cost of \$1,780 in FY 2016.
- MVB user acceptance testing for identified system modifications. 40 hours for each system modification for a total of 240 hours by a Management Analyst Specialist I at a cost of \$5,340 in FY 2016.

ASSUMPTION (continued)

- The promulgation of rules associated with this section will require 80 hours for a Revenue Manager Band I to prepare at a cost of \$2,182, to communicate with executive staff and finalize the administrative rules. This would require 15 hours for an Administrative Office Support Assistant at a cost of \$246 to finalize and complete all filing requirements with the Secretary of State's Office.
- Development staff estimate 2,160 hours required to update existing software to accommodate change required by the bill at a cost of \$162,000.

In summary, DOR assumes a cost of \$174,698 ($\$890 + \$890 + \$890 + \$240 + \$240 + \$1,780 + \$5,340 + \$2,182 + \$246 + \$162,000$) in FY 2016 to provide for the implementation of the changes in this proposal.

This proposal allows the Department, beginning January 1, 2016, to charge and collect a "miles driven" fee for each owner registering or renewing registration on a motor vehicle based on the odometer reading.

DOR assumes Section 407.556, RSMo, exempts the following vehicles from an odometer reading at the time of ownership transfer:

- A vehicle with a gross vehicle weight rating (GVWR) of more than 16,000 pounds; and
- A vehicle which is ten years of age or older at the time of transfer.

DOR also assumes Section 301.020, RSMo, only requires an odometer reading at the time of registration renewal if the vehicle is:

- Five years old or less;
- Licensed for 12,000 pounds or less; and
- Required to have a vehicle safety inspection.

DOR assumes Section 307.350, RSMo, exempts motor vehicles from the safety inspection requirement for the five-year period following their model year of manufacture.

ASSUMPTION (continued)

As shown above, current laws exempt certain motor vehicles from a safety inspection or the odometer reading requirement. Under current process the Department will be unable to determine the miles driven within the time frame between renewals on those vehicles exempted and will be unable to access the appropriate "miles driven" fee. It is assumed, as this proposal states "or other method approved by the Department to verify the vehicle mileage", that the Department has the authority to require a safety inspection each year a registration renewal is required in order to capture the current odometer reading and assess the appropriate miles driven fees.

The Department assumes that upon a transfer of ownership, even on a new vehicle with zero miles, and such registration issuance to the new owner the full "miles driven" fee for a one-year registration and for a two-year registration is to be charged.

New Registration

In FY 2014 there were 1,205,580 new or transferred registrations issued to motor vehicles (passenger and truck).

Under this proposal, after January 1, 2017, a "miles driven" fee of \$200 will be charged for a one-year registration and \$400 for a two-year registration. The fee will be assessed at the end of the registration period (renewal) and any credit will be applied at that time.

If 43% (518,399) obtain annual registrations.
If 57% (687,181) obtain biennial registrations.

FY 2016

DOR assumes FY 2016 will not have a revenue increase due to the Department having to notify all citizens of the changes and also recording all odometer readings.

Note: Revenue will be distributed 75% Highway fund, 15% Cities and 10% Counties. The revenue generated may fluctuate in any given year depending on the number of new registrants who obtain annual registrations or biennial registrations.

ASSUMPTION (continued)

Renewal Registration

Upon renewal of registration the owner is to be allowed a prorated credit against the miles driven fees and such credit is to be determined by the Department. For the purpose of this fiscal note a range of full credit (\$0) to no credit (\$200-\$400) is being shown.

Based on the projected number of registrations that will occur in the corresponding years, the Department anticipates the fiscal impact range for the following years:

FY 2017

\$0 - \$425,288,600

FY 2018

\$0 - \$549,093,000

Based upon the information obtained from the Department of Transportation website the average person drives 13,476 miles per year. If the Department gives a credit of \$0.01 per mile driven, the projected revenue impact is as follows:

Highway Funds

FY 2017 = approximately \$195,936,195

FY 2018 = approximately \$226,113,518

Local Funds

FY 2017 = approximately \$65,312,065

FY 2018 = approximately \$75,371,173

For fiscal note purposes, **Oversight** will use DOR's estimate of revenue generated from the miles driven fee.

This proposal will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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GENERAL REVENUE

<u>Cost - DOR</u>	<u>(\$174,698)</u>	<u>\$0</u>	<u>\$0</u>
Administrative Cost			

ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$174,698)</u>	<u>\$0</u>	<u>\$0</u>
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HIGHWAY FUND

<u>Revenue - DOR</u>	<u>\$0</u>	<u>\$195,936,195</u>	<u>\$226,113,518</u>
75% of miles driven fee			

ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$0</u>	<u>\$195,936,195</u>	<u>\$226,113,518</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue - Cities</u>	<u>\$0</u>	<u>\$39,187,239</u>	<u>\$45,222,704</u>
15% of miles driven fee			

<u>Revenue - Counties</u>	<u>\$0</u>	<u>\$26,124,826</u>	<u>\$30,148,469</u>
10% of miles driven fee			

ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$65,312,065</u>	<u>\$75,371,173</u>
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FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal.

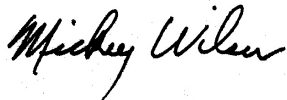
FISCAL DESCRIPTION

This bill requires that beginning January 1, 2016, the Department of Revenue must charge and collect a miles driven fee of up to \$200 for a one-year vehicle registration and up to \$400 for a two-year vehicle registration. At the time of the issuance of registration, an odometer reading must be recorded by the department that must be taken from the bill of sale or certificate of title of vehicle if newly acquired, from the official odometer reading at the vehicle's most recent safety inspection, or other method approved by the department. Upon registration renewal, the owner must be entitled to a prorated credit against the miles driven fee for that registration period if the miles driven are less than 20,000 miles during a one-year registration or 40,000 miles during a two-year registration period less a \$50 paperwork processing fee. The odometer reading used to determine credit eligibility must be the official odometer reading recorded at the time of the vehicle's most recent safety inspection; provided, however, that no global positioning system or other technology that identifies and records the vehicle's location at all times can be used to monitor mileage traveled by any vehicle on any road, highway, or street in this state for the purpose of imposing this fee or any state tax on the mileage traveled by the vehicle. All revenue from the fee must be deposited in the State Road Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue



Mickey Wilson, CPA
Director
April 27, 2015

Ross Strope
Assistant Director
April 27, 2015